

CLOVER PARK SCHOOL DISTRICT No. 400
Pierce County, Washington
September 1, 1992 Through August 31, 1993

Schedule Of Findings

1. Internal Controls At The Mann Junior High School Student Store Should Be Improved

During the period September 1, 1993, to May 20, 1994, a loss of cash and/or merchandise occurred at the Mann Junior High School student store. The conditions indicating that a loss may have occurred were noted during our regular audit of the district and reported to district management. Subsequent to our audit, the parents of a student who had worked in the store during the period, reported to the Mann Junior High principal that their daughter had stolen money from the student store. District officials notified our office and we conducted a special audit of student store activities. District officials also notified the Pierce County Sheriff's Department, who investigated and subsequently arrested the student.

Reconstruction of the store records and reconciliation of the store cash receipts to merchandise purchased for sale in the store revealed the following information:

Retail value of goods available sale:	\$12,832
Less: Retail Value of goods in ending inventory	1,139
Equals: Retail value of goods sold (expected sales)	11,693
Less: Adjustments - Spoilage and transfers	157
Equals: Net expected sales	11,536
Less: Actual sales - cash deposited to the bank	7,798
Equals: Shortage - loss of public funds	\$ 3,738

If the loss were entirely in cash, the loss would have been \$3,738. From our reconstruction of the student store records, we estimate the store operated on an average gross margin of approximately 42 percent. We were unable to determine the exact mark-up percentage due to missing records. Based on our estimate of a 42 percent mark-up, if the loss were entirely in merchandise the loss would have been \$2,165. Based upon statements given to the sheriff by the students involved, and the circumstances surrounding the operation of the store, we believe the actual loss consisted of a combination of cash and merchandise. However, no one was able to determine the exact proportion.

We observed this operation of the student store at Mann Junior High. There was no faculty member directly supervising the operation of the store. The student operating the store did not count the cash on-hand at the end of the sales period. When the student delivered the cash box to the school office, no receipt was written for the cash delivered and the cash was not counted in the student's presence. The cash register available for the

student store was broken and was not used. In our opinion, the student store was not operated in a business-like manner. Also, in our opinion, the loss of public funds at the Mann Junior High student store occurred and was not detected in a timely manner because:

- a. Mann Junior High officials were not aware of or did not enforce the district requirement to perform a monthly physical inventory of goods available for sale and reconciliation of inventory to cash deposits for the student store. There was no physical inventory of student store merchandise performed during the period between December 1992 and March 1994.
- b. There was no procedure performed at Mann Junior High during the period to determine if the students operating the student store turned-in all cash received from the sale of merchandise.
- c. The assignment of responsibility to directly supervise the operation of the student store was informally made. The person assigned did not understand the actions necessary to supervise the operation of the store.
- d. Mann Junior High allowed uncontrolled access to the student store merchandise inventory.

Clover Park bond coverage is:

Insurance company: Puget Sound Risk Management Pool

Coverage period: 9/1/93 through 8/31/94

Coverage limit: \$1,000,000

We recommend the district seek recovery for the loss of \$3,738 and related audit/investigation costs from their insurance bonding company. We also recommend the district:

- a. Revise its Associated Student Body (ASB) manual to include a requirement for formal appointment of a student store supervisor at each school operating a student store.
- b. Revise its ASB manual to include specific procedures for student store operations. Provision for training of individuals appointed as student store supervisors should also be made.
- c. Enforce its ASB manual requirement for regular physical inventory and reconciliation of inventory to cash receipts by all schools operating student stores. The district's ASB manual should also be revised to include a requirement for reporting of the cash receipts/inventory reconciliation data to the district finance office.
- d. Revise its ASB manual to include a requirement that each school operating a student store restrict access to the merchandise inventory.
- e. Ensure that cash registers available for use in student stores are functional and used properly.

2. The District Should Ensure Its Staff Mix Reports Are Accurate

We reviewed experience and education data reported to the Superintendent of Public Instruction (SPI) for 31 certificated personnel. This data is used to place certificated personnel on the district's salary schedule, which is the same as the state's salary schedule, and is a factor used in determining state funding for the district. Our review did not disclose any instances of under- or overreporting experience data, but did disclose instances of under- and overreporting educational data. With one exception, the under- or overreporting of educational data had no effect on either the individual's current placement on the salary schedule or the amount of state funding. One teacher's educational data was overreported by 20 hours resulting in his placement on the BA+90 rather than the BA+45 salary column, and the district's receiving \$2,311 more than it should have in state funding.

In addition, our review disclosed five instances of educational hours not being supported by official transcripts. Two of the individuals involved retired in 1993. The other three individuals had sufficient hours documented with official transcripts to maintain their current positions on the salary schedule even if their "unsupported" hours were disallowed. As a result there would be no effect on current state funding for these individuals. These files also contained letters from the district to the employees requesting official transcripts for their hours.

The system being used by the district did not prevent or detect recording or calculation errors for educational hours. In addition, the system did not provide a clear audit trail from the files to the district's reports.

We recommend the district repay the \$2,311 received as a result of the inaccurate reporting noted above. We further recommend the district strengthen its procedures for recording and tracking certificated personnel's educational hours.

3. The District Should Report All Lobbying Activities

During November 1992, the district held a legislative forum attended by various district legislators and the boards of three districts. The minutes indicated the boards expressed concerns to the legislators about funding, levy regulations, and other items of interest. This meeting was not reported to the state Public Disclosure Commission as lobbying activity. In addition, the district has had a professional service contract with Evergreen Associates Ltd. to represent and lobby for the district in Washington D.C. in discussions of PL 874 funds (Impact Aid). Amounts paid under this contract are charged to the superintendent's office, which is funded with state and local dollars. However, the district has failed to inform its grantor agencies of the existence of this lobbying contract or of the amounts paid as required by federal regulations. Although in the past the district has filed required state lobbying reports, it does not have a policy which clearly identifies what constitutes lobbying under existing federal and state lobbying regulations.

Chapter 42.17 RCW requires that local agencies which undertake in person lobbying in order to attempt to influence state legislation, including the administrative rules considered by state agencies, file periodic L-5 reports disclosing their lobbying expenditures. Also United States Code, Title 31, Chapter 13, Section 1352 requires any lobbying activities undertaken with respect to a federal contract, grant, loan, or cooperative agreement to be reported to the agency from whom assistance was obtained.

District management did not consider the legislative forum to be lobbying under state guidelines and was unaware of the requirement to report under USC 31, Chapter 13, Section 1352.

We recommend the district comply with applicable state and federal regulations. We also recommend the district adopt a lobbying policy which incorporates both federal and state laws related to lobbying. The policy should clearly distinguish between liaison and lobbying activities at both the state and federal levels.

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Schedule Of Federal Findings

1. The District Should Use The Sampling Base Required By The National School Lunch Program Regulations

The district's food services staff conducted the required income verification for district students approved for free or reduced meals for fiscal year 1992-93. Applications were verified for 145 students. However, the district incorrectly based its sample size on the number of students receiving free and reduced meals, rather than on the number of approved applications for free and reduced meals it had on file on October 31, 1992. District personnel stated information on the number of approved free and reduced meal applications on file on October 31, 1992, was not currently available, and said it would be difficult to reconstruct at the present time. The district used the same sampling base, number of students, for fiscal year 1993-94.

The United States Department of Agriculture's Food and Nutrition Service Department's *Eligibility Guidance for School Meals Manual*, published in August 1991, page 42, states in part:

An application is counted as one application regardless of whether it is a multi-child application or an application for one child. The sample size depends on the number of paper applications, not the number of children represented.

District personnel assumed the required 3 percent verification was based on the number of students receiving free or reduced meals rather than on the number of approved applications it had on file.

Because the application documents it had on file on October 31, 1992, and on October 31, 1993, were not available for audit, we cannot verify the district met the mandatory 3 percent income verification requirement.

We recommend the district determine and document the number of approved applications for free and reduced meals it had on file on both October 31, 1992, and October 31, 1993.

We further recommend the district use the number of approved applications on file for all future verifications.